

Statement of 2019 Surplus Levels for Blue Cross and Blue Shield Plans

The Insurance Department has completed its analysis of the 2018 annual statement surplus levels of the Pennsylvania Blue Cross and Blue Shield Plans – Capital BlueCross; Highmark Inc.; and Independence Blue Cross.

Based on standards established in a February 9, 2005 [Determination and Order](#), Highmark operates in the sufficient range, and Independence and Capital both operate in the efficient range.

Background

An economically “efficient” level of surplus is the level at which a Blue Plan does not face solvency issues from routine fluctuations in factors such as underwriting results and returns on its investments.

Above the “efficient” level, there is a “sufficient” surplus level at which a Blue Plan has adequate surplus for its operations. A Blue Plan with a sufficient surplus level may not include risk and contingency factors (a cushion in the event actual losses exceed the projected cost of paying for claims) in its filed premium rates.

If the surplus exceeds the sufficient operating range, the level of surplus is presumed “inefficient” and could be potentially excessive. Any Blue Plan operating at an “inefficient” surplus level must file a report with the Commissioner justifying the current level of surplus, or file a plan explaining how the Blue Plan will divest itself of surplus in a way that benefits its policyholders.

Using the lower of the NAIC Health Risk Based Capital ratio or the consolidated risk factor ratio (an approach developed by the Department and explained in the Determination, and applied as revised as to IBC in PID’s 2014 approval of the restructuring of IBC’s holding company system), the “sufficient” range for:

- Highmark and IBC is from 550 percent to 750 percent.
- CBC is 750 percent to 950 percent.

Anything above these ranges for those plans would be presumed “inefficient.” Anything below these ranges would be “efficient.”

Further information on how these ranges are calculated and why they were established at the levels stated, can be found in the February 9, 2005 [Determination and Order](#) and the [illustration](#) of the surplus ranges.
